

**Address to the General Assembly
Special Session
Monday, June 15, 2009
Gov. Steve Beshear**

Mr. President, Mr. Speaker, distinguished members of the Kentucky General Assembly, Constitutional Officers, Honorable Members of the Court of Justice, honored guests including Kentucky's First Lady, and my fellow Kentuckians.

In 1891 the writers of the Kentucky Constitution – fully cognizant of the hardships involved in traveling to the capitol from the far corners of the state – nevertheless anticipated occasions in which the business of the Commonwealth would be so urgent ... the need to act so compelling ... the opportunity so auspicious ... that they gave the Governor the extraordinary authority to call the General Assembly to Frankfort for a special legislative session.

Today – without question – is such a moment.

This *is* an extraordinary occasion.

Like states across the nation, Kentucky is suffering the devastating impact of a global economic crisis the likes of which many of us have never seen.

We all have been affected.

Day by day, our families are struggling as jobs, health care and the very roofs over their heads are vanishing.

Day by day, our businesses are being decimated by pressures that force them to reduce operations, close doors or accept attractive offers to move to other states.

Day by day, state government is finding itself with fewer of the financial resources it needs to provide critical programs and services, the demands for which multiply exponentially in times like these.

In short, day by day, our people are suffering.

We must act immediately to address these issues, to do everything possible to help families survive while at the same time finding ways to make strategic investments that improve the lives of Kentuckians.

In these stark economic times, those two goals – short-term assistance and long-term investment – *must* define our every decision.

The four issues on the agenda of this special session – balancing the budget, creating and retaining jobs, establishing a mechanism to finance mega-transportation projects and saving our horse industry – epitomize those goals.

The first piece of legislation, by far the biggest and the most critical, is to balance the budget for the fiscal year that begins in just two weeks.

To balance will require no mere tweaking but a combination of actions to fill a gap of an unprecedented size.

This hole is a billion dollars, in a budget of roughly 9 billion dollars – and it follows two years of significant shortfalls.

Likewise, we continue to take steps to deal with depressed revenues in the Road Fund, which is expected to fall \$239 million, or 17 percent, short in the 2010 Fiscal Year.

I have proposed a prudent, conservative solution that would balance the General Fund budget primarily in two ways:

... one, by thoughtful and appropriate use of federal stimulus dollars.

... and two, by cutting \$200 million in spending beyond the \$600 million we've cut since I took office – a process that will require the same sacrifices our families are making.

I also propose that we restructure our debt, enhance tax collection and tax compliance efforts by the Revenue Department and suspend several paid holidays for state workers to avoid mass layoffs, a sacrifice that would also apply to my staff and me.

The budget plan is founded on four principles:

- First, it includes no proposals to increase taxes – we cannot add burdens right now to working families already struggling with financial difficulties.
- Second, it utilizes some of our federal stimulus money, but just as important it holds back hundreds of millions of those stimulus dollars to plug anticipated holes in the 2011 budget.
- Third, it reduces spending in a thoughtful way that preserves the K-12 funding formula and higher education funding, fully funds Medicaid and maintains key areas of public safety like prisons, prosecutors and state police.
- And finally, it maintains the capital investment program authorized in prior budgets. We need to continue making these investments which create construction jobs in this economy.

We must manage this shortfall in a way that does not move us significantly backward.

And we must do so in a way that allows us to deal with the next two years, which also promise to be difficult ones.

The second piece of legislation is designed to help create and retain jobs for our people.

It involves a group of economic development initiatives to strengthen our attractiveness in an

economic climate of intense competition, and to nurture our existing businesses – especially our small businesses.

The proverbial toolbox we use to attract and retain businesses needs serious attention.

Our current economic tools are rusty. They're dull. They're missing parts. And some of them are outdated.

We're using hand tools in a power tool world.

And we're in danger of being left behind.

Furthermore, Kentucky has several immediate opportunities – to attract a coveted NASCAR Sprint Cup race ... to increase our chances of luring future Breeders' Cup World Championships ... to entice producers to film movies and documentaries in the Bluegrass ... and to secure a proposed advanced battery manufacturing facility and headquarters that could establish Kentucky as the epicenter of the car manufacturing world of the future.

These opportunities are worth hundreds of millions if not billions of dollars. They would bring thousands of critically needed jobs.

And they would solidify Kentucky's reputation as a vibrant place to work, to live and to play.

We cannot – and I believe we must not – waste these opportunities.

We must act now. Decisively.

The third piece of legislation would create a mechanism to fund mega-projects such as the Louisville bridges, and the I-69 project in the Henderson-Owensboro area.

We need this legislation to create momentum on important projects such as these. We need action to foster continued federal investment and safeguard the existing state investment.

And we need a mechanism that will maintain the bonding capacity we need over time to fund transportation projects throughout the rest of the state.

And lastly, I have proposed legislation that would help our signature industry – horses – to respond to increasing financial threats posed by other states.

Buoyed by cash from gaming, racetracks in other states are using lucrative purses and breeder incentives to siphon away some of our greatest equine athletes and those who own, breed and train them.

If we don't act now, our racetracks face declining status and even the certainty of closure.

But this isn't just about racetracks.

It's about 100,000 working-class Kentuckians whose skills and sweat support those tracks, the people who without fame or fanfare muck stalls, exercise horses, truck hay and paint fences.

It's about farmers, implement dealers, cooks and waitresses.

We can no more stand to lose the equine industry's 100,000 jobs and \$4 billion economic impact than we can stand to surrender our title as the Horse Capital of the World.

My plan to allow Video Lottery Terminals, or VLTs, at racetracks is a limited, focused expansion of gaming at locations that already offer this form of entertainment.

It is designed to give the tracks the resources they need to compete with other states.

And by carefully spelling out how those gaming proceeds are distributed, my plan also – without raising taxes on our families – helps ensure an additional steady source of revenue to support the core functions of our state government long after stimulus dollars disappear ... exactly when we will need additional resources the most.

The numbers in the proposed legislation make that case in clear terms.

This proposal also enables us to give automobile owners a partial credit on the car tax, and to exempt active-duty military from the Kentucky income tax.

Now, I could spend hours detailing these four pieces of legislation, using charts and figures to spell how why they make sense.

But there is really no need to do that.

You are already familiar with those figures, and you know these issues well, because you've seen almost all of this before.

My budget bill spends federal stimulus dollars in the way that you authorized in the regular session earlier this year.

It preserves the same priorities you and I preserved when deciding together how to fill the current fiscal year shortfall.

It protects the same services – the basic K-12 funding formula, higher education, Medicaid, and public safety – that you and I long ago decided are the keys to the quality of life that Kentuckians deserve.

This, my friends, is a common-sense approach.

My economic incentives bill – for all intents and purposes – was passed overwhelmingly by both chambers during the 2009 regular session. You've already weighed in publicly on the merits of this bill.

That the bill hasn't already become law was more a function of timing than a disagreement with its goals and framework.

Likewise, the framework for the bridges bill was discussed at length during the 2009 session, and it enjoyed broad support. While there are some outstanding issues, I believe we are close to agreement.

And finally, my VLT legislation – both the bill itself and the reason it’s needed – is not new.

It’s based for the most part on legislation Speaker Stumbo had already proposed. And the issue in general has been discussed and debated for more than a decade.

It’s time for an “up” or “down” vote.

Now, I know there are details in all four of these bills that some of you may wish to change.

I expect that. I respect that.

I welcome your expertise and your ideas.

Just like with pension reform last summer, and the budget shortfall plan earlier this year, successful solutions are typically built with consensus and collaboration.

But there should be no argument that the issues addressed in these proposals are critical, and that the time to act is now.

To me, this session is a litmus test on what we hold to be important.

- Is SEEK – the funding formula that enables our teachers to educate our children – worth preserving?
- Is the Medicaid safety net – which protects the most vulnerable of our parents, brothers, sisters and children – a critical need?
- Should we aim to keep taxes on our families and businesses as low as possible, particularly now when their burdens are so heavy?
- Is the horse industry – our signature industry, that which defines the beating heart of the Bluegrass State – important to us? And is it worth saving?
- Do our existing businesses – from our large manufacturers to our mom-and-pop stores – deserve to be nurtured?
- Is there a demand for more jobs, in a time when one in 10 Kentuckians is looking for work?
- Would we welcome the tens of thousands of visitors and hundreds of millions of dollars in spending that a NASCAR Sprint Cup race and the Breeders Cup would bring?
- Do we want Kentucky to be the manufacturing epicenter of the cars of tomorrow?

I answer those questions the same way a majority of Kentuckians do – with a resounding “yes”!

It is time for us to lead.

Yes, other states are being crushed by the same pressures that envelop us.

But shared misery is no reason for us to hide, no excuse to be paralyzed by fear and no justification for surrender.

Because Kentuckians do not surrender.

We cannot control the global economy, or hold off the financial pressures that are squeezing us. But we can control the manner in which we respond.

President Williams, Speaker Stumbo, members of the General Assembly, over the last couple of sessions we’ve come together to address complex problems facing Kentucky’s retirement systems, our budget and our education system.

And we have been successful.

Why?

Because we’ve been able to put aside – for the good of the state – the rancor of historical rivalries and the stubbornness of partisan differences.

We’ve focused on policy instead of politics, and we’ve stressed problem-solving over party labels.

We’ve faced Kentucky’s challenges head on, and we’ve done it together.

It is time to do it again, and I believe we will.

In politics it’s easy to get caught up in the policy of the moment, as if this were some abstract, nebulous exercise.

It’s not.

Our decisions – to act, or not to act – directly impact people’s lives.

We’re here today because Kentuckians – our family members, our friends – need us.

This isn’t about politics, it’s about people.

We’re in the throes of a severe economic crisis.

But even as our families are struggling to cope, life goes on.

I was reminded of that several times over the last week, in vivid and emotional ways.

About a week ago my son Jeff – who is an equine veterinarian – was critically injured at work in a horse-related accident.

Jeff is on his way to a full recovery, but for a while that outcome was uncertain. Jane and I spent many anxious moments in an intensive care unit, sick with worry, fear and helplessness.

Every parent understands what I'm talking about – it doesn't matter how old your children are, their vulnerability is unnerving.

Life is indeed frail.

Then ... today, I experienced emotion at the other end of the spectrum.

My other son, Andy, and his wife, Britainy, gave birth today to their first child, William Bradley.

He is Jane's and my second grandson.

And as you might expect, I'm here tonight feeling pride that's indescribable.

Every grandparent, I'm certain, can relate.

My fellow Kentuckians, there are moments in life that bring into focus what really is meaningful.

Whether it's praying for your child's recovery ... or touching your new grandson's tiny fingers.

Tonight, let us remember for whom we're working.

Thank you.

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